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C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 000046

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DEPARTMENT FOR EUR/SCE

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SUBJECT: EU AMBASSADOR ON KEY ACCESSION ISSUES FOR CROATIA

Classified By: Vivian S. Walker, Deputy Chief of Mission, for reasons 1
.4 (b) & (d).

¶1. (C) SUMMARY: In a meeting with Ambassador Foley on January 21, the EU Ambassador to Croatia, Paul Vandoren, and his Deputy, David Hudson, reviewed the current status of Croatian accession negotiations. Noting the "strong desire on the part of EU member states to bring (Croatia's) accession process to a close," Vandoren said that 2010 "is the critical year to get this done." Many of the remaining challenges are integral to Chapter 23 (Judiciary and Fundamental Rights), including: the need for Croatia's full, continued cooperation with ICTY; the need for a sustained anti-corruption effort on the part of the GoC; the GoC's full implementation of housing care for returnees and convalidation, and getting both Croatia and Serbia on board for the complete resolution of the refugee issue. Other issues remaining include three chapters currently blocked by Slovenia (Fisheries, Environment and Foreign Security and Defense Policy), and completion of the second round of shipyard privatization tenders to enable the opening of the Competition Policy chapter. Both Vandoren and Hudson acknowledged the complexity and volume of the issues remaining to be resolved. This was the first in what will be a regular series of meetings between Foley and Vandoren to review Croatia's accession process over the coming months. End Summary.

¶2. (C) EU Ambassador Vandoren, who assumed his post in November 2009, began by noting the "strong desire on the part of EU member states to bring (Croatia's) accession process to a close," adding that 2010 "is the critical year to get this done." Essential to the success of the accession process is Croatia's continued cooperation with ICTY, which, while not a formal opening benchmark, remains an important indicator of Croatia's success in judicial reform. Vandoren noted that Croatia must make every effort to comply with ICTY requirements. Referring to a recent press conference in which Vandoren, along with other EU Ambassadors, called on the government of Croatia to sustain its anti-corruption effort, Vandoren and EU DCM Hudson agreed that under Prime Minister Kosor, anti-corruption initiatives had improved. Noting that the recent vote for President-elect Josipovic appeared to be "a vote against corruption," Hudson added that if the presidential election had taken place as recently as two years ago, (Zagreb Mayor) "Bandic would have won."

¶3. (C) Hudson, who appears to have the lead on refugee issues, noted that while the January 15 preparatory meeting with Croatian, Serbian, Bosnian and Montenegrin participants for a planned ministerial conference on refugee issues produced general agreement on the questions to be discussed, the need for better statistics and next steps, overall it "felt like 'Groundhog Day,'" i.e. the same positions were replayed over and over again. The Serbians want Croatia's EU accession process to be tied to a settlement for the Serbs who fled Croatia during the war but are not interested in returning. The problem is, according to Hudson, "the Croats won't be more flexible until the Serbians are more

realistic." Ultimately, Hudson confirmed, the resolution of the refugee issue will not be a closing benchmark for Croatia, but "it is in everyone's best interest to have a political agreement before closing benchmarks are established." In other words, failure to fully resolve the refugee issue will not prevent Croatia from joining the EU, although it could make its membership more contentious as some member states may try to push Croatia on its commitments. Hudson believes that Croatia may be prepared to make concessions, provided these are not framed as legal obligations and that Serbia backs off its "exceedingly unreasonable" position. He thought in this context that an international fund might grease the final resolution of this issue.

14. (C) Both Vandoren and Foley acknowledged that it will be important for Slovenia to open the three chapters it has blocked (Fisheries, Environment and Foreign Security and Defense Policy), though Vandoren had no particular insight on Slovenia's next steps in this regard. However, with respect to competition policy, the fifth and final remaining negotiating chapter to be opened, Vandoren said that if the next round of tenders to sell the six shipyards fails, the chapter will not open. According to Vandoren, if the GoC makes a genuine effort to launch the tender (scheduled for February 16), that should be sufficient to open the chapter. How the tender plays out is another issue. Neither Vandoren nor Hudson indicated what criteria the EU would use to judge the quality of the GoC's good faith effort.

15. (C) COMMENT: Both Vandoren and Hudson acknowledged the complexity and volume of the issues remaining to be resolved

ZAGREB 00000046 002 OF 002

in Croatia's EU accession process. This was the first in what we hope will be a series of face-to-face dialogues on Croatia's EU accession process. We will use this process in support of our mission strategy to promote economic reforms and improvements to the business climate. A key aspect of our strategy includes direct coordination and information sharing with the EU and other donors. End Comment.
FOLEY